

ANNUAL FINANCIAL REPORT

ORLEANS PARISH
COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA

DECEMBER 31, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

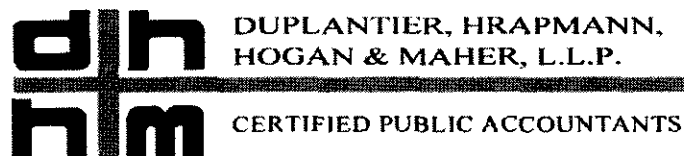
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ORLEANS PARISH
COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA

DECEMBER 31, 2004 AND 2003

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INDEPENDENT AUDITOR'S REPORT

April 14, 2005

Board of Commissioners
Orleans Parish Communication District
New Orleans, Louisiana 70130

We have audited the accompanying component unit financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, Louisiana under accounting principles generally accepted in the United States of America, as of and for the years ended December 31, 2004 and 2003, as listed in the index to the report. These financial statements are the responsibility of the management of Orleans Parish Communication District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial positions of Orleans Parish Communication District as of December 31, 2004 and 2003, and the results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on Pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2005 on our consideration of the Orleans Parish Communication District's internal control over financial reporting and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 AND 2003

This section of the Orleans Parish Communication District's (the District) annual financial report provides important background information and management's analysis of the District's financial performance during the fiscal years that ended on December 31, 2004 and 2003. Please read this section in conjunction with the basic financial statements and the notes to the basic financial statements beginning on Page 8 in this report.

Financial Highlights

- * For 2004 revenues exceeded budget projections by \$269,124. This was primarily due to revenues from wireless surcharges surpassing estimates due to the continued proliferation of this technology in the population. This was offset somewhat by the decline in revenues from wireline sources. We anticipate this trend to continue in future years. Interest revenues also accounted for part of the excess as they are never budgeted due to their nebulous nature. Finally, rental revenues, from subleased property had not been budgeted.
- * Operating expenditures were less than budgeted in the amount of \$438,187. The primary component of these savings was due to deferral of hiring budgeted personnel and the retirement and resignation of two employees during the year that led to vacancies for parts of the year. Total employment savings were \$145,504. Other major line item savings came from expenditures on the Building, which were capitalized.
- * Major expenditures for year 2004 included Communication Equipment in the amount of \$644,760, payment of recurring telephone charges (as required by LPSC tariff and FCC regulations) \$832,923, Cooperative Endeavor Payments to the City of New Orleans (for call takes salary reimbursement) \$960,000, and professional services \$266,859 (legal, accounting, homeland security, lobbying, architectural).
- * OPCD's current assets were \$8,231,846 as of December 31, 2004. Of this amount \$6,936,362 was earmarked for projects that had been budgeted but had not yet been completed.

Overview of the Financial Statements

This financial report consists of the following basic parts: management's discussion and analysis (this section), and the basic financial statements, and the notes to the financial statements.

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the District's financial activities on both a short-term and long-term basis. The statement of net

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 AND 2003

Overview of the Financial Statements (Continued)

assets presents information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in fund net assets present information about the current year's revenues and expenses. The statement can be used to measure operating improvements or deterioration for the past year. The statement also provides useful information for determining whether the District's service revenue and other revenue sources were sufficient for all the District to recover all of its costs. The final financial statement in this report is the statement of cash flows, which provides information about the District's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where cash came from, what cash was used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The statement of net assets and the statement of revenues, expenses, and changes in net fund assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases and decreases in the District's net assets are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other nonfinancial factors such as wireless communication growth should also be considered.

Net Assets

A summary of the District's statement of net assets is presented below.

Condensed Statement of Net Assets
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Current Assets	\$ 8,231,846	\$ 7,393,062
Noncurrent Assets	10,061,413	--
Capital Assets – Net	<u>2,979,589</u>	<u>3,014,806</u>
Total Assets	<u>21,272,848</u>	<u>10,407,868</u>
Current Liabilities	1,668,684	583,619
Noncurrent Liabilities	<u>10,412,353</u>	<u>1,319,766</u>
Total Liabilities	<u>12,081,037</u>	<u>1,854,621</u>
Net Assets:		
Invested in Capital Assets	2,979,589	3,014,806
Restricted	61,413	--
Unrestricted	<u>6,150,809</u>	<u>5,538,441</u>
Total Net Assets	<u>\$ 9,191,811</u>	<u>\$ 8,553,247</u>

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 AND 2003

Net Assets (Continued)

Total assets increased by \$10.9 million, from \$10.4 million in 2003 to \$21.3 million at December 31, 2004. Total liabilities were \$12.1 million as of December 31, 2004, an increase of \$10.2 million from the previous year. The increase in assets and liabilities is due to proceeds received from bonds sold.

Changes in Net Assets

The District's net assets increased \$0.6 million to \$9.2 million in fiscal year 2004, up from \$8.6 million in fiscal year 2003. The change results primarily from the increase in taxes collected from wireless communication service providers and the issuance of \$10,000,000 in bonds.

Summary of Revenues, Expenses, and Changes in Net Assets

The following table presents a summary of the District's revenues and expenses for the fiscal year ended December 31, 2004.

Condensed Statement of Revenues, Expenses,
and Changes in Net Assets
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues	\$ 4,305,324	\$ 3,957,082
Operating Expenses	<u>3,634,654</u>	<u>3,237,026</u>
Operating Income	<u>670,670</u>	<u>720,056</u>
Nonoperating Revenue (Expenses):		
Interest income	148,192	68,561
Interest expense	(152,402)	(44,201)
Loss on fixed assets	<u>(27,896)</u>	<u>—</u>
Total Nonoperating Revenues (Expenses)	<u>32,106</u>	<u>24,360</u>
Changes in Net Assets	638,564	744,416
Total Net Assets, Beginning of Year, restated	<u>8,553,247</u>	<u>7,808,831</u>
Total Net Assets, End of Year	<u>\$ 9,191,811</u>	<u>\$ 8,553,247</u>

Operating income was \$670,670 in 2004 compared to \$720,056 in 2003 due primarily to the increase in operating expenses. Interest income was \$148,192 in 2004 and \$68,561 in 2003. The increase in interest income was due to the increase in cash received from issuance of bonds. Total net assets were \$9.2 million and \$8.5 million at the end of 2004 and 2003, respectively.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 AND 2003

Future Plans and Projects

In response to the lessons learned from September 11, 2001 tragedy, OPCD in partnership with the City of New Orleans embarked upon a 5-year plan to revamp emergency communications for the City of New Orleans.

OPCD's plan includes the upgrade and integration of all call taking and dispatching computer and telephone equipment on a directed path toward the consolidation of all equipment and personnel into a state of the art multi jurisdictional emergency communication complex. The construction of this 40,000 square foot facility on 5.5 acres of leased property located at 100-120 City Park Avenue in the City, the integration of systems and personnel into the facility, and maintaining the continuity of 9-1-1 Service to the community during the transition will be OPCD's primary focus over the next 3 years.

The facility will house OPCD, the call taking and dispatching functions of NOPD, NOFD, and EMS, a Command and Control center housing the City offices of Homeland Security and Emergency Preparedness, and up to 70 Federal, State and Local agencies when necessary to address natural or man made emergency.

In 2005 OPCD will move its administrative offices into temporary facilities located on the site. The cost of the move and lease should be offset by the rental savings on our former facility.

Design of the building has moved into the final phase as all known title, environmental, political, and spacing issues have been resolved and the OPCD Board has approved the design plan and the City has leased certain additional necessary property to OPCD to facilitate construction. Final construction documents are due in late November and an award to a contractor should be made by January 2006.

An 18-month construction time frame would mean an opening of the new facility by mid 2007.

Current cost estimates are approximately \$2M higher than those received last year. The primary cause has been the 20-30% worldwide increase in the cost of steel, concrete and window glazing.

OPCD has obtained a \$10M bond issue and is maintaining it and other funds in Money Market Funds pegged to Treasury rates. As these rates have increased significantly in the last year, OPCD is receiving a higher than anticipated return on its investment of these funds.

We continue to actively pursue supplemental funds through grants and earmarks and have worked with our elected representatives in an effort to secure additional monies for the project.

In late 2005 OPCD plans to issue an RFP for the sublease of 2 parcels of the leased property for commercial development. The revenues to be derived from such endeavor are currently unknown. Unsolicited inquiries by prospective developers and reference to existing markets encourages us that OPCD could generate sufficient income from such sublease to offset the cost of the primary lease on the property of \$216,000 annually.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 AND 2003

Future Plans and Projects (Continued)

Because of the escalation in construction costs, OPCD has reduced the overall size of the building by eliminating storage, redesigning and reducing some spaces, and multiplying the uses of other spaces. However we have opposed any reductions that would be detrimental to the systems, the people who work in the facility or the integrity of the structure that is designed to survive in the event of a major natural or man made disaster.

The increase in cost means OPCD will need approximately \$2M more than original estimates to complete the project. These funds will become available through continued belt tightening in other budgetary categories, prospective increases in revenue from service fees, interest income and subleases, Federal, State and Local participation in supplemental funding, tapping the \$1M OPCD emergency reserve, or a combination of any or all these.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact Williams Hawkins, Executive Director, Orleans Parish Communication District, 100 City Park Avenue, New Orleans, Louisiana 70119; (504) 826-1200.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2004 AND 2003

<u>ASSETS</u>		
	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,422,762	\$ 6,736,826
Accounts receivable	764,084	611,236
Prepaid expenses	45,000	45,000
Total current assets	<u>8,231,846</u>	<u>7,393,062</u>
NONCURRENT ASSETS:		
Restricted cash	10,061,413	-
Total noncurrent assets	<u>10,061,413</u>	<u>-</u>
CAPITAL ASSETS:		
Capital assets (net of accumulated depreciation)	2,290,729	2,549,216
Construction in progress	688,860	465,590
Total capital assets	<u>2,979,589</u>	<u>3,014,806</u>
TOTAL ASSETS	\$ <u>21,272,848</u>	\$ <u>10,407,868</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 149,963	\$ 136,664
Due to other governments	554,484	36,496
Bonds payable	485,000	-
Bonds interest payable	103,638	-
Accrued payroll expenses	12,349	10,433
Capital lease, current portion	363,250	351,262
Total current liabilities	<u>1,668,684</u>	<u>534,855</u>
NONCURRENT LIABILITIES:		
Bonds payable net of current portion	9,515,000	-
Capital lease payable net of current portion	863,287	1,226,538
Accrued leave	34,066	93,228
Total noncurrent liabilities	<u>10,412,353</u>	<u>1,319,766</u>
Total liabilities	<u>12,081,037</u>	<u>1,854,621</u>
NET ASSETS:		
Invested in capital assets	2,979,589	3,014,806
Restricted	61,413	-
Unrestricted	6,150,809	5,538,441
Total net assets	<u>9,191,811</u>	<u>8,553,247</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>21,272,848</u>	\$ <u>10,407,868</u>

The accompanying notes are an integral part of this statement.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services	\$ 4,305,324	\$ 3,957,082
Total operating revenues	<u>4,305,324</u>	<u>3,957,082</u>
OPERATING EXPENSES:		
Personnel services	404,725	453,289
Contractual services, supplies, materials, and other	2,721,462	2,269,595
Depreciation	<u>508,467</u>	<u>514,142</u>
Total operating expenses	<u>3,634,654</u>	<u>3,237,026</u>
OPERATING INCOME	<u>670,670</u>	<u>720,056</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	148,192	68,561
Interest expense	(152,402)	(44,201)
Loss on fixed assets	<u>(27,896)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(32,106)</u>	<u>24,360</u>
CHANGES IN NET ASSETS	<u>638,564</u>	<u>744,416</u>
TOTAL NETS ASSETS - BEGINNING, AS PREVIOUSLY REPORTED	8,553,247	7,731,558
Prior period adjustment	<u>-</u>	<u>77,273</u>
TOTAL NET ASSETS - BEGINNING RESTATED	<u>8,553,247</u>	<u>7,808,831</u>
TOTAL NET ASSETS - ENDING	<u>\$ 9,191,811</u>	<u>\$ 8,553,247</u>

The accompanying notes are an integral part of this statement.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 4,152,476	\$ 3,945,498
Cash received from lease deposit	-	165,026
Cash paid for goods and services	(2,190,175)	(2,118,890)
Payments for salaries and related expenses	(461,971)	(438,354)
Net cash provided (used) by operating activities	<u>1,500,330</u>	<u>1,553,280</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest paid	(48,765)	(44,201)
Purchases of capital assets	(277,876)	(261,768)
Construction of capital assets	(223,270)	(465,590)
Principal payments on capital lease	(351,262)	(255,818)
Sale of bonds	10,000,000	-
Net cash provided (used) by capital and related financing activities	<u>9,098,827</u>	<u>(1,027,377)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	148,192	68,562
Net cash provided (used) by investing activities	<u>148,192</u>	<u>68,562</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,747,349	594,465
Cash and cash equivalents, January 1	<u>6,736,826</u>	<u>6,142,361</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 17,484,175</u>	<u>\$ 6,736,826</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 670,670	\$ 720,056
Adjustments to reconcile operating income to net cash provided (used by) operating activities:		
Depreciation expense	508,467	514,142
Increase in accounts receivable	(152,848)	(11,584)
Decrease in prepaid expenses	-	136,214
Decrease in deposits	-	165,026
Increase in accounts payable	13,299	17,194
Increase in accrued payroll expenses	1,916	14,935
Decrease in accrued leave	(59,162)	-
(Increase) decrease in due to other governments	517,988	(2,703)
Total adjustments	<u>829,660</u>	<u>833,224</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,500,330</u>	<u>\$ 1,553,280</u>

The accompanying notes are an integral part of this statement.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Orleans Parish Communication District, comprised of Orleans Parish, was created effective July 13, 1982, pursuant to Act No. 155 of the 1982 Regular Session of the Louisiana Legislature.

The District was created for the purpose of establishing a local emergency telephone service; to establish a primary emergency telephone number, to provide for the governing body of the District, and to authorize the governing authority of such district to levy an emergency telephone tax. This act was amended by Act No. 1029 in 1999 to provide for the creation of multi-parish communications districts; to provide relative to the rate of the emergency telephone service charge on landline phones and to authorize the levy of an emergency telephone service charge on certain wireless communications systems.

Reporting Entity

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the District is a component unit of the City of New Orleans, Louisiana (the City), the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of the City of New Orleans, Louisiana.

Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, net assets, revenues and expenditures is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District is present in the accompanying financial statements as follows:

a) Proprietary Fund

- (1) The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenditures, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting (Continued)

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989. In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and related standards.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

Restricted Cash

Certain cash to be used for planned construction of a communication center headquarters and related facilities and paying the costs of issuance of the bonds is classified as restricted assets on the statement of net assets because their use is limited by non-arbitrage certificate.

Allowance for Doubtful Accounts

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Uncollectible amounts are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property, Plant and Equipment

Property, plant and equipment associated with the activity of the District are recorded as assets of the District. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives may be found in Note 4.

Compensated Absences

Vacation (annual leave) and sick pay (sick leave) are accrued when incurred in the District.

Reclassifications

Certain amounts for 2003 have been reclassified to conform to the 2004 presentation.

2. CASH AND CASH EQUIVALENTS:

Cash

At December 31, 2004 and 2003, the District has cash (book balances) totaling \$17,484,175 and \$6,736,826, respectively, and \$17,523,506 and \$6,866,399, respectively, in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and pledged securities held by a different bank in joint custody.

3. RECEIVABLES:

The District had receivables due from the landline and wireless 911 tax collectors in the amount of \$764,084 and \$611,236 at December 31, 2004 and 2003, respectively.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

4. PROPERTY, PLANT, EQUIPMENT, DEPRECIATION
AND CONSTRUCTION IN PROGRESS:

A summary of changes in property, plant, equipment, depreciation and construction in progress for the years ended December 31, 2004 and 2003 follows:

<u>2004</u>		Balance December 31, <u>2003</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2004</u>
Equipment		\$ 6,118,375	\$ 277,876	\$(513,960)	\$ 5,882,291
Vehicles		<u>24,994</u>	<u>--</u>	<u>--</u>	<u>24,994</u>
		6,143,369	277,876	(513,960)	5,907,285
Construction in progress		<u>465,590</u>	<u>223,270</u>	<u>--</u>	<u>688,860</u>
		<u>\$ 6,608,959</u>	<u>\$ 501,146</u>	<u>\$(513,960)</u>	<u>\$ 6,596,145</u>

		Accumulated Depreciation December 31, <u>2003</u>	<u>Depreciation</u>	<u>Disposals</u>	Accumulated Depreciation December 31, <u>2004</u>
	<u>Life</u>				
Equipment	10	\$ 3,569,159	\$ 508,467	\$(486,064)	\$ 3,591,562
Vehicles	5	<u>24,994</u>	<u>--</u>	<u>--</u>	<u>24,994</u>
		<u>\$ 3,594,153</u>	<u>\$ 508,467</u>	<u>\$(486,064)</u>	<u>\$ 3,616,556</u>

<u>2003</u>		Balance December 31, <u>2002</u>	<u>Additions</u>	Balance December 31, <u>2003</u>
Equipment		\$ 4,022,989	\$ 2,095,386	\$ 6,118,375
Vehicles		<u>24,994</u>	<u>--</u>	<u>24,994</u>
		4,047,983	2,095,386	6,143,369
Construction in progress		<u>--</u>	<u>465,590</u>	<u>465,590</u>
		<u>\$ 4,047,983</u>	<u>\$ 2,560,976</u>	<u>\$ 6,608,959</u>

		Accumulated Depreciation December 31, <u>2002</u>	<u>Depreciation</u>	Accumulated Depreciation December 31, <u>2003</u>
	<u>Life</u>			
Equipment	10	\$ 3,062,456	\$ 506,703	\$ 3,569,159
Vehicles	5	<u>17,555</u>	<u>7,439</u>	<u>24,994</u>
		<u>\$ 3,080,011</u>	<u>\$ 514,142</u>	<u>\$ 3,594,153</u>

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

5. COMPENSATED ABSENCES:

All full-time classified employees of the District hired subsequent to December 31, 1978 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Upon termination of employment, an employee is paid for accrued annual leave based upon his or her current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick and annual leave to additional years of service. At December 31, 2004 and 2003, the accrued annual and sick leave was \$34,066 and \$93,228, respectively.

6. DUE TO OTHER GOVERNMENTS:

During 2004, the District entered into a contract with the City of New Orleans to pay one hundred percent of the New Orleans Police Department's telecommunications' salaries. For the year ended December 31, 2004, the District owed the City \$554,484.

The District owed \$36,496 to the City of New Orleans for reimbursement for half of the New Orleans Police Department's telecommunicators' salaries at December 31, 2003.

7. HEALTH INSURANCE:

The City provides health and accident insurance to its employees exclusively through preferred provider organizations (PPOs). Under this type of program, the District pays initial premiums based on the level of the employee's participation and has no further liabilities on any claims.

The total amount of contributions by the District for health insurance was \$28,031 and \$19,073 for 2004 and 2003, respectively.

8. PENSION PLAN:

The District's employees participate in the Employees' Retirement System of the City of New Orleans (Plan). The pension expense recorded by the District for contributions to the retirement system for the year ended December 31, 2004 and 2003 was \$31,097 and \$26,248, respectively.

Plan Membership

The Employees' Retirement System of the City of New Orleans covers all City employees except for fire and police employees.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

8. PENSION PLAN: (Continued)

Plan Description

The Employees' Retirement System of the City of New Orleans, a single-employer defined benefit pension plan is controlled and administered by a separate Board of Trustees. The Plan covers all employees of the District. The Plan provides retirement, deferred and disability benefits, survivor benefits and cost of living adjustments to plan members and beneficiaries. The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report for the years ended December 31, 2004 and 2003 may be obtained by writing to: The Employees' Retirement System of the City of New Orleans, 2400 Canal Street, Room 342, New Orleans, Louisiana 70119 or by calling (504) 826-1985.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Contributions from employees and employer and interest income is recognized as revenue when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy

Plan members are required to contribute 4% of their annual covered salary in excess of \$1,200. The District is required to contribute at an actuarially determined rate. The current rate is 8.74% of annual payroll. The contribution requirement of plan members and the District are established and may be amended by state statute.

Annual Pension Cost

The annual pension cost for the Plan for the current year was \$8,151 and the employer contributions were \$8,151. The annual required contributions for the current year was determined as part of the December 31, 2004 actuarial valuation using the Frozen Entry Age Actuarial Cost Method with Unfunded Actuarial Accrued Liability. With this method, the amortization period, which ends December 31, 2003, is being maintained. Beginning with the January 1, 1992 actuarial valuation, the amortization amount was "frozen" and is equal to the 12-year remaining amortization amount over the period January 1, 1992 through December 31, 2004.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

8. PENSION PLAN: (Continued)

Annual Pension Cost (Continued)

Significant actuarial assumptions used in the valuation include: 1) rate of return on the investment of present and future assets of 7% compounded annually and 2) projected salary increases of 3% per year compounded annually. The actual value of assets is set equal to market value of assets.

Annual Pension Cost and Net Pension Obligation

Annual required contribution	\$ 8,151
Adjusted to annual required contribution	--
Annual pension cost (thousands)	8,151
Contributions made (thousands)	<u>(8,151)</u>
Increase (decrease) in net pension obligation	--
Net pension obligation, beginning of year	--
Net pension obligation, end of year	<u>\$ --</u>

Schedule of Employer Contributions (Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
12-31-04	\$ 8,151	100%
12-31-03	6,648	100%
12-31-02	6,665	100%

Schedule of Funding Progress (Amounts in Thousands)
(Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>(Unfunded) Excess of Assets Over AAL (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Excess as a Percentage of Covered Payroll [(a-b)/c]</u>
12-31-02	\$ 376,844	\$ 343,572	\$ 33,272	109.68%	\$ 78,048	42.63%
12-31-03	402,504	386,747	15,757	104.07%	87,713	17.96%
12-31-04	412,487	418,857	(6,370)	98.48%	92,665	(6.87%)

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

9. BOARD COMPENSATION:

The District has no board compensation as each board member serves according to employment position in the public safety agencies.

10. PRIOR PERIOD ADJUSTMENT:

The accompanying financial statements for the year ended December 31, 2003 have been restated to reflect the following:

	<u>Amount</u>
2002 Telephone charges not accrued in the prior year	\$ (66,146)
2002 Professional services not accrued in the prior year	(19,321)
2001 Prepaid expense not expensed in the prior year	(38,286)
2002 Refund of a deposit expensed during the prior year	165,026
2003 Prepaid expense expensed during the prior year	<u>36,000</u>
	<u>\$ 77,273</u>

11. LEASES:

During the year ended December 31, 2003, the District entered into a capital lease agreement for equipment at the Police and Fire Departments. The lease requires quarterly payments of \$100,007 and expires March 28, 2008. Future minimum lease payments on the lease are as follows at December 31, 2004:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u>
2005	\$ 400,028
2006	400,028
2007	400,028
2008	<u>100,007</u>
	1,300,091
Less: amounts representing interest	<u>(73,554)</u>
Capital lease obligation at December 31, 2004	<u>\$ 1,226,537</u>

Also, during the year ended December 31, 2003, the District entered into an operating lease agreement for the lease of land. The lease term is for fifty years with an option to renew for four ten-year periods beginning June 2053. The annual rent beginning June 1, 2003 is \$108,000 for the first two years. For years three through five, the annual rent will be \$216,000. For the remaining term of the lease, the annual rent will be \$216,000 multiplied by a formula based on consumer price index. The District also leases the building where the administrative office is located for \$24,200 per annual agreement and leases various equipment under month-to-month leases. Total rent expense for all leases for the years ended December 31, 2004 and 2003 was \$133,827 and \$92,354, respectively.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

12. EMERGENCY 911 SYSTEM:

During 2004 and 2003, the District collected \$2,464,586 and \$2,258,252, respectively, in wireless charges for telephone services. Expenditures in the amount of \$264,910 and \$2,625,670, respectively, were made during 2004 and 2003 for implementation of the E911 System. These expenditures consisted of the following: Repairs and maintenance, software maintenance, acquisitions of communication equipment, engineering equipment, capital lease of equipment and capitalized equipment.

All wireless carriers operating in Orleans Parish were notified of the District's intent to implement FCC Phase II technology. Phase II testing of the facility based wireless carriers serving Orleans Parish should be completed on or before January 2005 with the exception of one carrier, which awaits scheduling.

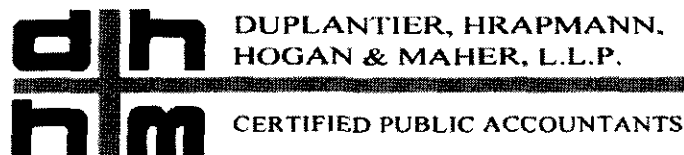
13. REVENUE BONDS:

During 2004, the District issued \$10,000,000 of revenue bonds to pay part of the cost of constructing, acquiring, equipping and furnishing a communications center headquarters and related facilities and paying the costs of issuance of the bonds.

The bonds bear interest at 4.35% and mature in 2019. The Revenue Bonds will be payable from a pledge of 1) the proceeds of the emergency telephone tax imposed pursuant to law, and 2) the excess of annual revenues of the District.

The following amounts are expected future maturities of the bonds at December 31, 2004:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 485,000	\$ 360,063	\$ 845,063
2006	495,000	373,240	868,240
2007	515,000	359,133	874,133
2008	535,000	342,910	877,910
2009	570,000	324,988	894,988
2010-2014	3,275,000	1,281,755	4,556,755
2015-2019	<u>4,125,000</u>	<u>547,010</u>	<u>4,672,010</u>
	<u>\$ 10,000,000</u>	<u>\$ 3,589,099</u>	<u>\$ 13,589,099</u>



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 14, 2005

Board of Commissioners
Orleans Parish Communication District
New Orleans, Louisiana

We have audited the financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, State of Louisiana, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

COMPLIANCE

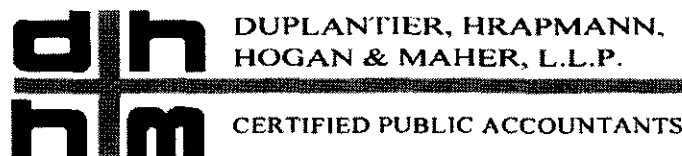
As part of obtaining reasonable assurance about whether the Orleans Parish Communication District's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Orleans Parish Communication District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we reported to management of the District in a separate letter dated April 14, 2005.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP



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April 14, 2005

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804-9373

Dear Sir or Madam:

SCHEDULES AND DATA COLLECTION FORM
SECTION 1: SUMMARY OF AUDITOR'S REPORTS

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, as of and for the year ended December 31, 2004 and have issued our report thereon dated April 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit as of December 31, 2004 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING:

Internal Control:

Material weaknesses – none noted
Reportable conditions – none noted

Compliance:

None noted

C. FEDERAL AWARDS:

Not applicable

D. MANAGEMENT LETTER COMMENTS:

See finding – 04-01

SECTION 2: FINDINGS

A. CURRENT YEAR FINDINGS:

MANAGEMENT LETTER COMMENTS

- 04-01. During our audit, it was discovered that improvements in formalizing employment policies and related documentation is warranted. Through our testing of the payroll and personnel system, it was discovered that an employee's salary and subsequent pay raise were not documented. This caused a lack of an audit trail and could cause an unauthorized payroll. We suggest that initial salary levels and subsequent pay raises should always be approved by the Board of Commissioners or management. This information should be maintained in the employee's personnel file.

B. PRIOR YEAR FINDINGS:

- 03-01. During testing of fixed assets in the prior year, our procedures disclosed that the District had inadequate provisions for the safeguarding of their fixed assets. There was little or no control over the movement of assets, disposal of assets, tagging of assets and physical inventory had not been taken for several years. We recommended that a formal policy for the movement and disposal of fixed assets be developed. In addition, we recommended developing procedures to ensure that all assets are properly tagged and can be located at any time. Lastly, we recommended the District take a physical inventory count of their fixed assets yearly. This will provide the District with an accurate inventory of fixed assets. The resulting fixed asset list will provide a strong source of detail and control to establish a future system of safeguards for fixed assets.

In the current year, it was noted that a fixed asset policy was written, assets were properly tagged and an inventory was taken at year end.

- 03-02. The District had no formal capitalization policy for fixed assets. The District should have a formal capitalization policy. Not having a capitalization policy could result in fixed assets not being reported or reporting immaterial assets on the fixed assets list. We recommended that the District implement a formal capitalization policy. The policy should include capitalizing fixed assets greater than a specific dollar value with a specific useful life. Developing a capitalization policy will result in stronger controls over fixed assets.

During 2004, the District developed a fixed asset policy.

B. PRIOR YEAR FINDINGS: (Continued)

- 03-03. During the prior year audit, we noted that there was a lack of segregation of duties within the payroll cycle. One person was responsible for inputting payroll, reviewing payroll journals, finalizing payroll, distributing of funds to the employees' accounts for each payroll, and reconciling the payroll bank account. Payroll controls should include a separation of the functions of employment, timekeeping, payroll preparation and record keeping. The District's combination of duties increased the risk of an error or irregularity going undetected. We recommended that some of the payroll functions be segregated among other employees to protect the assets of the organization.

This finding was not resolved in the current year. During 2005, the District Manager started approving the payroll journal.

- 03-04. During the prior year audit, we noted that there was a lack of segregation of duties within the cash receipts cycle. One person was handling the cash receipt transactions from beginning to end. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely related functions in the cash receipts system of the District will result in much greater internal control in this particular area. To achieve this control, more than one member of the District's personnel should handle certain duties involving receipts:

This finding was resolved in the current year by hiring a receptionist.

- 03-05. Through discussions with management we determined that the District had no procedures in place to determine when a new landline or wireless telephone company opened for business in the City to ensure collection of the 911 tax fee from all entities. In addition, the District had no procedures in place to determine if the phone companies were remitting the amount of 911 taxes collected from its customers. We recommended that the District periodically inquire with the licensing agency at the city to determine if any new landline or wireless companies had obtained an operating license. In addition, we recommended that the District begin auditing one or two phone companies periodically to ensure that the District was receiving all the taxes that the phone companies are charging their customers.

The District obtains information from Louisiana Public Service and Safety and Permits. In addition, the District has hired a company to perform tax audits on phone companies remitting to the District.

dh DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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April 14, 2005

To the Board of Commissioners
and Management
Orleans Parish Communication District
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Orleans Parish Communication District for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the AICPA. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

We noted an other matter during the course of the audit, which we felt should be presented to management.

During our audit, it was discovered that improvements in formalizing employment policies and related documentation is warranted. Through our testing of the payroll and personnel system, it was discovered that an employee's salary and subsequent pay raise were not documented. This caused a lack of an audit trail and could cause an unauthorized payroll. We suggest that initial salary levels and subsequent pay raises should always be approved by the Board of Commissioners or management. This information should be maintained in the employee's personnel file.

We believe that the implementation of this recommendation would provide the District with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

To the Board of Commissioners
and Management
Orleans Parish Communication District

-2-

April 14, 2005

This report is intended solely for the information and use of the Board of Commissioners, management, others within the administration and the Legislative Auditor, State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HIRAPMANN, HOGAN & MAHER, LLP

A handwritten signature in cursive script, reading "Michelle H. Cunningham", is written over a horizontal line.

Michelle H. Cunningham, CPA
Partner

MHC/ct



ORLEANS PARISH COMMUNICATION DISTRICT

Administrators of New Orleans' 9-1-1 System

June 27, 2005

BOARD OF COMMISSIONERS:

Chairman:

Warren E. McDaniels
At-Large-Member

Vice Chairman:

Brobson Lutz, MD, MPH
Orleans Parish Medical Society

Members of the Board:

Edwin P. Compass III, Supt.
N. O. Police Department

Terry Ebbert, N. O. Homeland Security
At-Large-Member

Brian H. Etland, Captain
Louisiana State Police

Bennett Landreneau, Major Gen.
Louisiana National Guard

Chief Joseph R. Matthews, Director
N. O. Emergency Preparedness

Supt. Charles Parent
N. O. Fire Department

Kevin U. Stephens, MD, JD, Director
N. O. Department of Health

Dwayne Thomas, MD, CEO
Medical Center of Louisiana

William A. Hawkins, J.D.
Executive Director

Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Exit Conference

Dear Sirs:

We offer the following responses to the Exit Conference Report prepared for the Orleans Communications District by our auditors, Duplantier, Hrapmann, Hogan and Maher.

1) Payroll Controls and Safeguards

The District will implement controls whereby an employee's salary or pay raise will be approved by the Executive Director. The approved change in pay status will be filed with the employee's personnel file.

Respectfully submitted,
ORLEANS PARISH COMMUNICATION DISTRICT

William Hawkins,
Executive Director